



“Jagran Prakashan Limited
Q4 FY2019 Earnings Conference Call”

May 30, 2019



ANALYST:

MR. VIKASH MANTRI – ICICI SECURITIES

MANAGEMENT:

**MR. SANJAY GUPTA – CHIEF EXECUTIVE
OFFICER - JAGRAN PRAKASHAN**

**MR. SHAILESH GUPTA - DIRECTOR OF
MARKETING - JAGRAN PRAKASHAN**

**MR. R.K. AGARWAL – CHIEF FINANCIAL
OFFICER – JAGRAN PRAKASHAN**

**MS. APURVA PUROHIT – PRESIDENT – JAGRAN
PRAKASHAN**



Jagran Prakashan Limited
May 30, 2019

Moderator: Ladies and gentlemen, good day and welcome to the Jagran Prakashan Q4 FY2019 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikash Mantri from ICICI Securities. Thank you and over to you Sir!

Vikash Mantri: Good afternoon, everybody. We are at ICICI Securities pleased to host the Q4 FY2019 and full year FY2019 results conference call of Jagran Prakashan Limited. We have with us, as always, the senior management of the company represented by Mr. Sanjay Gupta, CEO; Mr. Shailesh Gupta, Director, Marketing; Mr. R.K. Agarwal, CFO; and Ms. Apurva Purohit, President. Over to you Sir for initial remarks!

R.K. Agarwal: Welcome, gentlemen, to the conference call of JPL for Q4 2019 and for the year 2019. You all have had an opportunity to have a look at the presentation and also the results. Without wasting any time, I will open the floor for the question and answer session straight away because this is the quarter, which is entirely different from what we witnessed for past 3 years. And therefore you may have number of questions. So instead of speaking or instead of briefing on the company or on the results, I would prefer that you straightaway go into question and answer session. Thank you once again.

Moderator: Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Sir, I just wanted to understand what kind of growth rates can the print business sustain over the next 5 to 10 years? Though it is a very long-term question that I am asking. If you can throw some light because globally, a lot of countries are seeing peak-out or decrease in terms of newspaper viewerships. How does this translate to India? Your thoughts in that!

R.K. Agarwal: Yes. In spite of the fact that this is the oldest media industry, it is unfortunate that it has to defend itself and continue to defend itself after repeated successes over decades. But then whatever you are asking that needs to be answered once again, and we have been answering that question, addressing that question for so many years. I will start, first, by saying that let us not compare the global trend with India. What we have which is similar to advanced countries like U.S. or Europe? We are an economy where you have \$2,000 per

capita income, nowhere near what they have. Again, we sitting in India, simply look at their falling circulation or readership, but we have never tried to dive deep into the reasons why it has happened and whether those findings are good in India or not. That is number two. Having said that, let me assure you, we are pretty confident that newspaper industry in India is nowhere near peak. If you look at the circulation data, readership data, which is the first point to start getting worried about, both are in favor of print industry. You may have come across advertisement released by Audit Bureau of Circulation a few months ago wherein they have clearly said that the circulation has grown by nearly 5% CAGR over the last decade. Look at the readership data, which have just been released, right? And those data clearly demonstrate it is not only the language paper or Hindi newspaper even English has registered growth, which people thought, it will never happen. Jagran, in its stable, has brands, which have demonstrated growth exceeding 50% in readership in past two years. So if you look at those data, I really fail to understand why people start getting worried. In fact, newspaper industry is a victim of a created perception more than the reality. So that is one,? So as I mentioned, we believe that newspaper industry is far from the peak. Now of course, you may start getting worried about newspaper industry getting the growth in ad. Revenues past 2/3 years. This was aberration caused by certain macro events. All are life-changing events and have life-changing bearings and they are unprecedented, not likely to be repeated, and therefore, past two, three years cannot throw any guidance for future. If anybody tries to evaluate any industry/ business, whatever has happened in past two- three years, probably many of the pharma industries would have been , debunked, as having no value. Many other industries, people would have rejected. But for God's sake, let us not base our view about the future on the basis of whatever has happened in past three years. And why local mediums like newspaper, outdoor, they had still bigger challenge because they depend on the local advertisement /small advertisers significantly, local economy significantly.

Sanjay Gupta: Let me give you a perspective, a slightly different perspective, in developed economy; the there was never a door delivery system of newspapers. That is one point. And an edited newspaper having some 400-odd news delivered at a doorstep is always an advantage over reading selected stories which lack credibility on your tablet or an iPhone or any other phone, a smartphone, besides convenience ...

Dhruvesh Sanghvi: Sir, can I interrupt? Sir, can I interrupt?

Sanjay Gupta: Yes, yes.

Dhruvesh Sanghvi: My question is more to do with the growth. So I understand...



Jagran Prakashan Limited
May 30, 2019

Sanjay Gupta: Now coming to ad. Revenue growth--- in developed economies, significantly large chunk of their revenues was coming from classified advertising which is not the case here. It is a natural fit for Internet if it has deep penetration. Also, In India, we have learned from their mistakes which are not being repeated, so the brand of credible news will continue to be alive ..

Dhruvesh Sanghvi: Okay. Should I ask or can I get back in the queue?

R.K. Agarwal: So when we are talking about the growth part, right, we do not have any doubt that, print will grow at less than 8% CAGR for the next four- five years and so long as it keeps happening, we are assured of delivering 20% growth in EBITDA. We must not forget that even after question mark on its relevance, it is the print media industry which has delivered the maximum to the shareholders.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline Portfolio Management. Please go ahead.

Deepan Shankar: Thanks a lot for the opportunity and congratulations for good set of numbers. Sir, I wanted to understand, excluding this government ad, what is the kind of ad revenue growth that has come from other categories during this quarter?

R.K. Agarwal: Out of this 10% growth for the print, nearly 50% has been contributed by the government,.

Deepan Shankar: Okay, okay and which are the categories which have performed well during the quarter?

R.K. Agarwal: Auto also has done well. Education has done well.

Deepan Shankar: Okay. What about real estate, sir?

R.K. Agarwal: Real estate, for us, has not been bad, but it is very small pie in our total revenues. I mean when we talk about category, newspaper industry is blessed with the fact that it has nearly 13 categories, which contribute 75% of its total revenue, as against TV, which has just 4 categories contributing 75% of total revenues. So when you talk about which categories grew, maybe that two did not grow, but then 11 grew, right? So our dependence on a particular category or only a select few categories is very, very low. And only there are two/three categories which contribute more than 10% for us, one is auto second is the education; and third near double digit is FMCG.

Deepan Shankar: Okay, Thanks a lot Sir. I will come back in the queue.



Jagran Prakashan Limited
May 30, 2019

- Moderator:** Thank you. The next question is from the line of Parveez Gupta from Maximal Capital. Please go ahead.
- Parveez Gupta:** So sir, regarding this Big FM acquisition, how much of money will go from Jagran? Is there any debt or equity, which will go from Jagran to MBL?
- R.K. Agarwal:** It may go temporarily for some time, but there is no plan as such.
- Parveez Gupta:** No, Sir, does that mean no equity will go; only debt will go?
- R.K. Agarwal:** I think, as I said, no plan to invest from Jagran. There could be a temporary accommodation for maybe a couple of months t.
- Parveez Gupta:** In the form of debt?
- R.K. Agarwal:** Of course, in the form of debt . That one is listed entity, you are also listed company. It should be interest-bearing only in case it is required.
- Parveez Gupta:** Okay. I was asking this because Sir, you said we are not up to 75% in MBL, so maybe we cannot...
- R.K. Agarwal:** Sorry.
- Parveez Gupta:** We do not have 75% stake in MBL, so maybe we can invest around Rs.120 Crores to Rs.140 Crores at current market valuations to increase our stake and also make it less levered for MBL.
- R.K. Agarwal:** How will you do? , though it is good suggestion. We are nearly 75%, I mean public shareholding is just 25%, 26%.
- Parveez Gupta:** You are at 73%, so maybe you can do a press for some small amount?
- R.K. Agarwal** Jagran shareholders rights of Enjoying the cash generated by the print business or by its businesses, should remain intact.
- Parveez Gupta:** Okay. So Sir, like previous two years where we have been returning cash in the tune of Rs.300 Crores to Rs.400 Crores, so should we expect that to continue even in case of this acquisition?



Jagran Prakashan Limited
May 30, 2019

- R.K. Agarwal:** Regardless of this acquisition, we will continue to distribute the cash. But of course, every year, you cannot distribute Rs.400 Crores. . But whatever we have been distributing traditionally, right, that is what we will continue to distribute. Even in the last Board meeting, which happened yesterday, the Board has already recommended 175% dividend to the shareholders of JPL.
- Parveez Gupta:** Yes. But should we expect another buyback or some other form of distribution later on ever?
- R.K. Agarwal:** I am really not able to understand. After having a buyback of Rs.600 Crores in two years, why there should be expectation of buyback of that kind of an amount every year. But I am just curious to know about it. this is what pushes the management in a situation where they sit tight with cash. Look at certain peers of ours, they do not distribute at all, right? And once Jagran comes forward and willingly distributes such heavy amounts, then probably we should also be reasonable in expectations, right?
- Parveez Gupta:** Understood, Sir. And Sir, two more things, one is our translation to lower RM prices that we have discussed earlier.
- R.K. Agarwal:** Sorry.
- Parveez Gupta:** Sir, the raw material of the newsprint prices, as you had indicated, has fallen from \$800 plus to \$600, \$650 levels. But in this quarter, we have not seen much of...
- R.K. Agarwal:** Well, you will not see in Q1, the full impact. You will see only, say, about 40%, 50% impact. But from next quarter only you will see, because there was committed quantity, number one, which has to be bought, and therefore, the full impact did not come in Q4. I mean hardly any impact came in Q4. We saved the money in case of indigenous newsprint, but in case of imported, it remains same.
- Parveez Gupta:** So sir, let's say, in Q2 of FY 2020, what will be your raw material cost on a per tonne basis? And what is it in Q4?
- R.K. Agarwal:** There will be saving in total raw material cost in terms of prices of approximately 15%.
- Parveez Gupta:** And what are the spot prices right now, sir?
- R.K. Agarwal:** Spot pricing for indigenous ranges from Rs.35 to Rs.40.



Jagran Prakashan Limited
May 30, 2019

- Parveez Gupta:** Okay. Understood, Sir. And our inventory is also up by around Rs.100 Crores year-on-year?
- R.K. Agarwal:** That is because of the imported newsprint, which was a committed quantity, about a year ago. So now, once the prices are falling, we may say why we have inventory. But at that time when we were entering into this contract, the prices were skyrocketing and there was no sign that they would cool down.
- Parveez Gupta:** So the tonnage is same, but because of the prices, it is looking more.
- R.K. Agarwal:** Yes.
- Parveez Gupta:** Understood, sir. And sir, one final question, if I may, there were some news media report about JPL trying to acquire an Andhra-based newspaper group, so..
- R.K. Agarwal:** No, I did not read that report and nor we have received any offer also as such.
- Parveez Gupta:** Okay, okay Sir Thank you and congratulations.
- Moderator:** Thank you. The next question is from the line of Pratik Barsagade from Edelweiss. Please go ahead.
- Pratik Barsagade:** Sir, congratulations for the good numbers. My first question is related to the circulation revenue growth. So for the past four quarters, we have seen that the circulation growth has been muted. So what kind of a strategy do you have in place to increase this growth either from, call price hike or in terms of increasing market share? So just wanted your thoughts on that.
- R.K. Agarwal:** Let me give you a perspective on the year. This year, whatever growth you are seeing, it has come through the increase in the cover prices, which was approximately a 15% improvement in per copy realization, right? It caused some drop in circulation, which did not bother us strategically as our market position remained intact. .
- Sanjay Gupta:** So the endeavor is always to increase cover pricing. As and when we get an opportunity, we increase cover pricing, and we will continue to look for increased cover pricing. That is for sure. And also, wherever there is an opportunity to increase circulation, especially in areas where there is a good advertising market, we increase our circulation. So you will find that the company will continue to get growth in circulation revenue.



Jagran Prakashan Limited
May 30, 2019

Pratik Barsagade: Okay. So that will be both in terms of increasing circulation and some below-floor price hike also, right?

R.K. Agarwal: Yes.

Pratik Barsagade: Okay, okay. And Sir, secondly, so now we expect the newsprint cost to soften from Q2 FY2020, what kind of a margin are you looking for, for the next year?

R.K. Agarwal: If you have had a look at Dainik Jagran's operating margin, which we have shown in the press release, you must have noticed that in Q4, the margins were 27%.

Pratik Barsagade: Yes Sir.

R.K. Agarwal: 27%, right? So if you have even 8% to 9% growth in advertisement revenue and coupled with that, if you have a drop in newsprint prices also, then there is no reason for you to expect anything less than 30%.

Pratik Barsagade: Okay. But sir, on a consol basis, the margins are still around 23%, right?

R.K. Agarwal: On consol basis, why the margins are lower, that is interesting question to be asked and to answer; it is giving me an opportunity to clarify also. You have to look at the mix of the revenue on the consolidated basis, right? You have one business called print. Then you have Radio, which has a margin of about 35%, right? Then you have Digital, which currently has some loss, right? Then besides that, you have nearly 8% revenue coming from Outdoor and Event, right? They do not have that kind of a margin. If their mix increases in the total revenue, this will lower the margin, and this is what happened in the year 2018, 2019. Once that mix gets corrected, automatically, the consolidated margin would improve by a couple of percentage, besides improvement in margin due to performance .

Pratik Barsagade: Okay. So for FY2020, we should expect the margin to be around something like 27%?

R.K. Agarwal: You should be more concerned about absolute amount of growth, right? Margins will keep improving; it will keep fluctuating depending on the market environment. But what, I think, we are very happy about is growth, absolute growth in operating profits, and still higher growth in the profit, net profit if we have print advertisement revenue growing nearly by 8%. So that is what we really look at growth in profit more than the margins. What is the point in cutting absolute amount by 20% and claiming the margin of 40%?

- Moderator:** Thank you. The next question is from the line of Vaibhav Badjatia from HNI Investments. Please go ahead.
- Vaibhav Badjatia:** Sir Thanks for providing the opportunity. Just building on to the earlier conversation that we had on the long-term prospects of the business. You made an interesting point, which I agree that the demand of doorstep delivery in the developed markets is a contributing factor, which is not there in India. Just I want to know what led to the demands there of doorstep
- R.K. Agarwal:** Let me add to it, right? It is door delivery, that is the great convenience and one important reason but this is not all. But more importantly, we must recognize the fact India t does not have the penetration of the level which those countries had when newspaper started falling. So that is very, very important-- penetration in India. When I was addressing other question, why did I refer to a per capita income of \$2,000? That is clearly an indication that in India, discretionary spend will always remain under challenge for some time, or until such time when this \$2,000 improves to, say, \$4,000/ \$5,000. The consumer is a little price-sensitive. They are not letting the price point improve. The growth in media industry or any industry is, function of two factors: one is price point, another is quantity. In India, currently, we are driving everything on quantity only. We are just driving quantity and quantity. Right? So that is the problem. If you compare the newspaper prices,, what prices we have---- 10% or even less as compared to those countries which we are referring to for fall in circulation. If we can take it to meager Rs.10, circulation revenue will more than double to Rs.14000 Crores, in 1 year. So let us keep the pace with the growth in income. And as and when it is increasing, we are also growing.
- Vaibhav Badjatia:** Thanks that is from my side.
- Moderator:** Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.
- V.P. Rajesh:** First question, on the acquisition, what is the competitive situation where other companies are also looking to buy big assets or it was just a negotiated transaction that you guys had?
- R.K. Agarwal:** This is a negotiated transaction we do not get into race . And if there were other takers I do not know. In the past, as you know, I also know, I mean we were interested, but that deal did not happen. So we approached them.
- V.P. Rajesh:** Okay. And my second question is, if I do the math correctly, your total dividends for fiscal year 2019 will be roughly about Rs.6.5 per share. Is it correct?



Jagran Prakashan Limited
May 30, 2019

- R.K. Agarwal:** For JPL?
- V.P. Rajesh:** No. For the current, for the fiscal year 2019, given if you add up the interim dividend and the proposed final dividend, the total amount is roughly 6...
- R.K. Agarwal:** No, we did not declare any interim dividend for the year 2018- 2019. It is the final dividend, which we are giving,-- that is Rs.3.50 per share.
- V.P. Rajesh:** Okay, okay, alright. Thank you.
- Moderator:** Thank you. The next question is from the line of Ashim Bharti from IDFC Securities. Please go ahead.
- Ashim Bharti:** Sir, if you could just tell me what was your average newsprint cost in FY2019. And where do you see this level settling in for FY 2020 given the trend seen in April and May.
- R.K. Agarwal:** As I have mentioned, we will save roughly about, for whole of the year, 15% in prices.
- Ashim Bharti:** So would you have the absolute amount handy, like what was the average cost in FY2019 per metric ton?
- R.K. Agarwal:** unfortunately, that is something, which cannot be disclosed.
- Ashim Bharti:** Sure, sir. No problem. Sir, secondly, if we could just talk about what kind of prints and radio ad revenue growth outlook you are expecting in FY 2020 particularly?
- R.K. Agarwal:** In the case of print, we are expecting about 8% growth in print. And for radio, our President will answer. I think it is 10% to 11% growth.
- Ashim Bharti:** 10% to 11%, right?
- R.K. Agarwal:** Apurva will answer that. I do not remember exactly. What is the percentage of growth we are expecting?
- Apurva Purohit:** Yes, around 10%.
- R.K. Agarwal:** Yes.

- Ashim Bharti:** Around 10%. Okay and sir, finally, if you could just throw some light on what happened to your Digital ad performance in Q4, if there was a decline this time?
- R.K. Agarwal:** For the year, digital grew by 20%, right? Q4 had some degrowth. That is because of one-off event in Q4 of the last year. But let us look at the, whole of the year, where Jagran recorded the highest growth amongst the peers.
- Ashim Bharti:** Okay. Okay. So it was more of a base effect and nothing, no problem?
- R.K. Agarwal:** . There is nothing wrong in any of the businesses in Q4.
- Apurva Purohit:** If I may just add to the digital point. See, digital businesses are a reasonably nascent business, right? So quarter-on-quarter impact we should not look at because, sometimes, there will be an event like, for example, last quarter, quarter 4 of last year, there was an event, and therefore, the base impact showed the degrowth. I think the larger point, as Mr. Aggarwal said, is to look at the growth in revenues and the consistent and huge growth both in unique users and PVs that JNM is showing. There has been a 40% growth in UUs and PVs. I think these are the three factors that we need to look at.
- R.K. Agarwal:** That is absolutely right. And adding to that, where Jagran was different from the rest of the players, we had started on a plan about three years ago with the certain amount of investment committed for the expansion. We have invested, we have already completed, out of those five years, four years, but still we have invested not more than 60%, 65%. So Jagran has clearly demonstrated what it has been saying just by burning money nothing is going to happen even in Digital. Do you know, in the year 2018-19, we cut down our losses. Despite 20% growth into our revenues and despite growth in traffic, etc., we cut down our losses by about 50% and God willing, maybe by Q4 of 2020, you will see some profit also. We could be the only exception in the loss-making industry.
- Ashim Bharti:** Sure, Sir Thanks a lot and wishes you all the best.
- Moderator:** Thank you. The next question is from the line of Parveez Gupta from Maximum Capital. Please go ahead.
- Parveez Gupta:** Sir, just one follow-up question. So we have a lot of other businesses other than the core Jagran Radio business like Midday, Naidunia and even the Outdoor media, Digital. So all of these businesses have been there for a few years now, and nothing have shown any significant scale or margins. So how many more years would it take for us to create another scaled-up region of growth for the company apart from the Radio and the core Jagran

business? I mean do we see in the next two to three years one of these businesses achieving the kind of scale and margins that we see in the other kind of core businesses?

R.K. Agarwal:

Yes. Let me take up one by one. Outdoor has about Rs.100 Crores of revenue. By no means is it an insignificant player in the country. It is one of the top players in the Outdoor business. We are already operating at about 5% to 6% margin. And we are, in fact, targeting 10% in 2019- 2020 . That is one part. . Then comes event business, which has, again, a top line of about Rs.50 Crores, which, again, makes it one of the most prominent sizes in this industry. There are not too many who have this kind of top line. So they are also not insignificant. Yes, their margins had been instable. Their bottom line had been instable for reasons beyond our control also. Now all those have got sorted one by one. And from next year, you will see that business also reporting 5% to 6%.

Apurva Purohit:

Yes, absolutely. In fact, in quarter 4 of this year, the activation business delivered a 12% margin.

R.K. Agarwal:

12% margin. So that is about these two businesses, which constitute roughly about, say, 8% of the total turnover of Jagran. Now coming to Digital, Jagran Digital is the only digital business which has been consistently recording growth in top line and also other important matrix which augur well for revenue generation in future. Jagran is also experimenting various other things in Digital. It has a turnover of about Rs.40 Crores, which was 3 -4 years ago, just about Rs.15 Crores business.

Now coming to Middy, I think it is a very strong remark about the Middy that Middy has done nothing, because Middy is the only brand which has consistently been delivering at operating level and at net level, reasonably good amount of profit. The brand has strategic importance and has helped us reach urdu readers in our stronghold i.e north and central India and in terms of revenue, group could increase its revenue manifold from films which benefit does not get reflected in their results .

. As far as scaling up is concerned, this is one town newspaper, right? That is something, which we must recognize. We however have plans for its expansion but given past 3 years and continuing pressures on ad. Revenue, we are keeping the roll out pending.. As far as Inquilab is concerned, as far as Middy Gujarati is concerned, they are all growing meaningfully. And Middy Gujarati is increasing their space consistently in Mumbai.

Apurva Purohit:

So I think in all these businesses, one should also look at the verticals that they operate in. If you were to ask me which is the business that is going to scale up and reach the levels near

Jagran, you can obviously see radio is one place that is growing. But that is a vertical that is nascent and in a period of growth. Similarly, the other opportunity where scale up is possible over a longer period of time is Digital. Again, as Mr. Agarwal has explained to you, that our Digital strategy in the last 3.5 years has been scaling up but without exorbitantly spending money. So every year, we have been growing at around 20%-, 30% and at lower than anticipated cost in Digital. So that is yet another opportunity of scale up possible.. One point that I would like everybody to make note of here is that we must look at the power of all these 3 brands. Whether it is Midday Gujarati, Midday or Inquilab, all three of them have been able to take a cover price hikes without losing market position. Midday Gujrati and Inquilab are breaking even on circulation and I do not think any print brands across the country can say this. This is huge positive for industry in general and Midday in particular as by way of next step, these brands can be made to give profit from circulation. In fact, Inquilab does that even now.

R.K. Agarwal:

Now coming to Naidunia, that is something really amazing if you say that they have not scaled up. When we acquired this brand in 2012, do you know what its revenue was? Its revenue was just Rs.85 Crores to Rs.90 Crores. Now its revenue has crossed Rs.150 Crores. We had circulation of 3.90 lakh copies per day, now it is nearly six lakhs, in spite of most of the years in the interim having been marred by headwinds. So which business we have not been able to scale up? Outdoor/ event, which are 10-year-old businesses, have by now become forces to reckon with in their respective space and have been growing regardless of environment, These business have become 150 crores businesses from zero in 10 years.

Parveez Gupta:

Understood Sir, thanks a lot for the detailed answer.

Moderator:

Thank you. The next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude:

Congrats on the good performance. Agarwal, sir, you mentioned about achieving about a 20% growth in EBITDA if top line growth recovers to 8% in FY 2020. So just a clarification, when you said 8%, were you referring to overall consolidated revenues or just the print ad revenues?

R. K. Agarwal:

I was talking about 8% advertisement print revenue growth

Alankar Garude:

Understood, sir. Now given that national advertising is still a concern and while we are doing well on the local front, how confident are you of achieving this 8% print ad growth?

R. K. Agarwal: What each component will contribute in that 8% growth, we have working. ? If economy does not remain what it has been, we are pretty confident that we will achieve this kind of a growth. Let me also tell you it is not life as usual. These tough times have taught us also lessons, and we have taken some great initiatives in marketing, which has been pretty helpful in the year, which has gone by. If we have been able to reverse degrowth of 2%, 2.5% in 2017-2018 to a growth of 1.5% in 2018-19 , that is essentially because of the new initiatives, not as much backed by the economy.

Alankar Garude: Okay, Sir. So is it fair to understand that assuming the national advertising does not pick up even in the festive season, and even then, we can be able to achieve around numbered single digit?

R. K. Agarwal: I do not like to believe that because I mean like if I tell you that will be in our fire right, which contributes nearly 40% to 45% of the revenue, then of course, nothing is possible. How long it will not fire because there is a reason why it was not firing. When the convention is not happening at the ground level when people are piling up the inventory what the national advertisers will do for advertising. Once it starts moving up, then the national advertisers will also start.

Alankar Garude: Fair enough, sir. And one final question on circulation, you mentioned about possibly cover pricing remaining. Maybe the pace of increase might not be as high as what we saw last year. So should we expect circulation revenue growth largely driven by circulation and, to a lesser extent, by pricing, cover price increase in FY 2020?

Sanjay Gupta: So as I was explaining to an earlier question, the increase in circulation is a really strategic call, and we tend to increase circulation where there is under penetration in market or we see headroom in advertising rates. Price increase is a function of the competitive forces playing on a certain zone. We see some kind of sense to the deal with publishers, and we get a sense that people are now increasingly looking at increasing cover pricing. And there have been corrections in few states in India. So we are positive to that effect that our North Indian states will also see a correction in cover pricing very soon.

Moderator: Thank you. The next question is from the line of Avinash Tyagi, who is a student. Please go ahead.

Avinash Tyagi: I wanted to know regarding inventory. You said that the increase in inventory is purely because of the rate of newsprint. Okay. So it has gone up almost by three times whereas

your RM cost has gone up by 10%, and that includes increase in quantity. So can you throw some light on that?

R. K. Agarwal: As I mentioned it got increased because of year-end purchases as per the contract which we did about a year ago, when the prices were high and were expected to go up further.

Avinash Tyagi: Okay. Okay. And second question, sir. Your other cost has increased by 4%, okay? I was interested to know if your IT cost has gone up during this year.

Sir, basically, the question is around if the investment in technology is bringing down the cost or is it at presently increasing the technology cost by employer per...

R. K. Agarwal: Technology has really helped over a period of years. It is not this year alone. It has been helping, and it has been instrumental in keeping the cost under check and reducing it also. But I mean company's ability to adjust itself to the prevailing environment. We tighten our belt. People do not spend on advertisement, and we also do not spend on publicity and discretionary spend .. We do not compromise with the necessary costs in the interest of medium to long term. But of course, we exercise restraint, and we look at our expenditure, which can be cut without compromising on the quality of the business.

Avinash Tyagi: That is what which something I wanted to know.

Moderator: Thank you. The next question is from the line of Himanshu Shah from HDFC. Please go ahead.

Himanshu Shah: Sir, there has been an increase in capex intensity in FY2019. Can you provide some colors?

R. K. Agarwal: Capex, I think was Rs.50 Crores- Rs.60 Crores, not much. In other businesses, in Middy and Radio City, we have seen some increase because they bought their head offices, which were mortgaged to bank by the landlord and bank asked us to exit, so we had to buy those assets.

Himanshu Shah: Okay. So sir, is it primarily only in Music Broadcast only?

R. K. Agarwal: Broadcast and Middy.

Himanshu Shah: Okay. And Middy, also the same reason, Sir?



Jagran Prakashan Limited
May 30, 2019

- R. K. Agarwal:** . Both of them are situated in the same building.
- Himanshu Shah:** Okay. Sir, and to radio, are we forcing any consolidation opportunity in print also, anything that we would like to provide some color on which could benefit the industry?
- R. K. Agarwal:** JPL has done the maximum work in terms of consolidation. JPL acquired two large brands, that is Naidunia and Midday, in past decade . We also launched one brand which is called Dainik Jagran INext, right? And it also has a top line of Rs.50 Crores Besides these three brands, we also have Punjabi Jagran, which was launched about 5 years ago. So we have various publication brands in our stable to grow, so we need not do anything else as of now, unless and until there is something, which is very, very compelling which comes.
- Himanshu Shah:** So trying to assume that nothing as of on the card from an industry perspective?
- R. K. Agarwal:** No. Let us first pray that we get mib approval and we complete this Big FM acquisition faster. First of all, that is what should be the focus for all of us.
- Himanshu Shah:** Sure sir, Thank you. That is from my side and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Pavneet Singh from Skyline Equity Managers. Please go ahead.
- Pavneet Singh:** Yes. Is it transmission of FM radio frequency additionally over the Internet prohibited by the Government of India?
- Apurva Purohit:** So the licenses that we get are for terrestrial broadcast only. So they are not obviously prohibited, but we do not carry it for two reasons. One is the frequency per se; we have just got a terrestrial license. The other is the royalty that we pay are for the terrestrial play out only. So in case we want to replicate the terrestrial FM online, we will have to pay additional royalties, which are very, very high.
- Pavneet Singh:** Okay. As a proportion of operating expenses, what is the percentage of royalty payments to music companies? And how big is the non-FCT business for Radio City?
- Apurva Purohit:** So you are asking here, two different questions. So the royalty payment for terrestrial FM is approximately 5%. As far as the royalty payment for online is concerned, I cannot tell you as a percentage of revenue because I do not even know what kind of revenue, if at all, any streaming company is making. But I can tell you that for players, for example, T-Series would charge something like Rs.50 Crores from a streaming service for royalty a year.

- Pavneet Singh:** Is that 5% you are reporting is like 5% of the revenue in that sense, total revenue?
- Apurva Purohit:** Yes 5%. Yes, 5% of the terrestrial FM revenue is paid as royalty. For streaming services, it is a fixed fee,
- Pavneet Singh:** And how big is the non-FCT business for Radio City?
- Apurva Purohit:** Around 12%.
- Pavneet Singh:** Do you see any growth opportunity there (inaudible)?
- Apurva Purohit:** Yes. Yes. That is the one thing that is growing very, very fast for us. In fact, last year, it grew by around 40%. So clearly, we see opportunities there. Non-FCT we define very clearly and not as events or off air. We define non-FCT as what we can do on air.
- Pavneet Singh:** Okay. And what about, they contributing to the total EBITDA, Radio City, and non-FCT contributes?
- R. K. Agarwal:** Sorry? In the consolidated EBITDA?
- Apurva Purohit:** No, no. He's saying in Radio City, the contribution of non-FCT in terms of EBITDA. So I think all of it really goes down to the bottom, right, because there is no additional cost that we generate for doing this. This is adding creativity and creative integrations on the on-air content that we set.
- R. K. Agarwal:** For Radio City, this non-FCT is also like FCT because, as Madam explained, we do not carry any event, so we need not work out b EBITDA for that activity separately.
- Pavneet Singh:** So for that event, you transfer cancel the entire event thing to Jagran? Or is Jagran conducting that event?
- R. K. Agarwal:** We do not carry too much of the event. out of Rs.335 Crores, she may be having an event of Rs.10 Crores, not more than that.
- Apurva Purohit:** Yes. That is right. That is right. Around Rs.10 Crores, Rs.12 crores, that is all.
- Pavneet Singh:** Yes. Will it be fair to expect that revenue contribution from political ads to be almost in high teens for Q1 FY 2020?



Jagran Prakashan Limited
May 30, 2019

- Apurva Purohit:** No. Political advertising actually was around 5%, 7%, I would say, and if that..
- Pavneet Singh:** I am asking for Q1 FY 2020 basically.
- Apurva Purohit:** Yes 5%.
- Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.
- R. K. Agarwal:** Thank you, friends.
- Sanjay Gupta:** Thank you everyone.
- Moderator:** Thank you very much. On behalf of ICICI Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.